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INTERNAL AUDIT DEPARTMENT

Audit No. 2317-G

August 20, 2003

Members, Board of Supervisors
Hall of Administration Building
10 Civic Center Plaza
Santa Ana, CA 92701

Dear Honorable Board Members:

We have completed the July 2003 report of the results of our Computer-Assisted Audit Techniques (CAAT). The report is attached for your information.

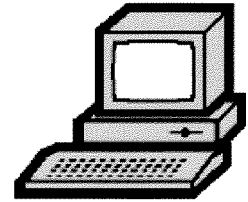
We would like to acknowledge the courtesy and cooperation extended to us by the personnel of the Auditor-Controller's Office and the CEO/Office of Human Resources. As always, I remain available to answer any questions you may have. Please contact me directly or Eli Litter, Deputy Director, at (714) 834-5899, or Autumn McKinney, Audit Manager, at (714) 834-6106, if we can be of further assistance.

Respectfully submitted,

Dr. Peter Hughes, CPA, CITP
Director

Attachment

cc: Members, Audit Oversight Committee
James D. Ruth, Interim County Executive Officer
David Sundstrom, Auditor-Controller
Robert Leblow, Manager, Auditor-Controller/Claims & Disbursing Section
Virginia Czarnecki, A-C/Information Technology/CAPS G/L System Support
Jan Walden, Director, CEO/Office of Human Resources
Patti Cahill, Manager, CEO/HR/ HR Standards
Scott Sanders, Senior Systems Programmer Analyst, CEO/HR/Employee Benefits
Bill Rawlings, Director, CEO/Purchasing & Real Estate
Paula Kielich, Administrator, CEO/Purchasing/Automated Purchasing Program
Darlene J. Bloom, Clerk of the Board of Supervisors
Foreman, Grand Jury
Macias, Gini & Company LLP



Monthly Report on
Computer-Assisted Audit Techniques
(CAAT)
Report Date: July 31, 2003

Audit No. 2317-G

Audit Director:	Dr. Peter Hughes, CPA, CITP
Deputy Director:	Eli Littner, CPA, CISA
Audit Manager:	Autumn McKinney, CPA, CIA, CGFM
Staff Auditor:	Leigh Riddle, CIA, CFSA



Internal Audit Department

COUNTY OF ORANGE

CAAT Program: This report details the monthly activity and findings from establishing Computer-Assisted Auditing Techniques (known by the acronym CAAT) as a part of our information technology audit coverage. We are using a proprietary, state-of-the-art/best practices and industry recognized software product to help us in this process. We are keeping the details of our process and the vulnerabilities identified to a general discussion because of the risks associated with disclosing specific details of our financial and accounting processes.

The CAAT is a continuing and evolving audit process with the goal of developing a toolset of computer-routines and techniques that will analyze patterns in the individual data elements of the County's financial data. The resulting data/exceptions will be subjected to further review, analysis validation, recovery and evaluation of internal control enhancements whose purpose is to prevent future occurrences of the findings identified by the CAAT process.

1. **CAAT Performed:** **Duplicate Payments.** We used a CAAT to identify potential duplicate payments made during July 2003.

Results: Three potential duplicate payments were identified in the July 2003 data. We provided details for these matches to A-C/Claims and Disbursing.

The table below summarizes the duplicate payment activity to date:

CAAT Report	Total		Not Duplicates		Recovered		In Process	
	#'s	\$'s	#'s	\$'s	#'s	\$'s	#'s	\$'s
May 2002	12	\$12,922	0	\$0	0	\$0	12	\$12,922
July 2002	40	\$39,470	10	\$4,046	12	\$7,223	18	\$28,201
August 2002	10	\$12,561	0	\$0	9	\$12,410	1	\$151
September 2002	5	\$2,526	0	\$0	0	\$0	5	\$2,526
November 2002	35	\$32,057	0	\$0	1	\$5,000	34	\$27,057
December 2002	1	\$445	0	\$0	0	\$0	1	\$445
January 2003	3	\$772	0	\$0	0	\$0	3	\$772
February 2003	3	\$266	0	\$0	0	\$0	3	\$266
March 2003	4	\$2,368	0	\$0	0	\$0	4	\$2,368
May 2003	13	\$9,488	1	\$6,549	1	\$429	11	\$2,510
June 2003	3	\$868	0	\$0	0	\$0	3	\$868
July 2003	3	\$8,273	0	\$0	0	\$0	3	\$8,273
TOTAL	126	\$112,874	11	\$10,595	23	\$25,062	92	\$77,217

Background: This CAAT concentrates on a sub-set of vendor invoices paid by the County possessing certain common attributes. The CAAT reviews the attributes and highlights potential duplicate payments for further review and verification. During the month of July 2003, a total of 22,050 invoices for \$101,304,267 were added to this data sub-set representing June 2003

transactions.

Currently, the data sub-set includes a total of 719,548 invoices totaling \$5,223,478,650. The total data file that the sub-set is derived from includes 2,881,020 records totaling \$8,551,121,550.

2. CAAT Performed: **Employee Vendor Match.** We used several CAATs to identify employees that are closely linked to a vendor as a result of sharing a similar address or tax id number.

Status: CEO/HR held a third meeting on July 31, 2003 with HCA, Internal Audit, and CEO/Purchasing to share the CAAT exceptions (matches). CEO/HR instructed the HCA representative regarding the research and follow-up needed to assess the appropriateness of the employee-vendor relationships. After this third meeting, CEO/HR has now met with all of the applicable departments.

The next step will include follow-up meetings with the applicable departments to discuss the results of their research and follow-up actions.

The table below tracks the employee/vendor matches currently being reviewed.

CAAT Report Month	Data Matches	Adjustments by Audit	Submitted to CEO/HR	CEO/HR Disposition	
				Not a Problem	Action Taken
November 2002	178	(140)	38		
April 2003	12	(4)	8		
TOTAL			46		

3. CAAT Performed: **Retiree/Extra Help Hours.**
We used a CAAT to identify retirees working as extra help for more than 960 hours (maximum allowed) during fiscal year 02-03.

Results: For fiscal year 02-03, the CAAT identified 12 retirees who worked more than 960 hours. We provided the details of these matches to CEO/HR.

Five of the twelve retirees identified were repeats from a prior CAAT run on fiscal year 01-02 data and reported in a prior CAAT report dated March 25, 2003. On May 5, 2003, CEO/HR informed us that it would implement a biweekly process to monitor working retiree hours. CEO/Human Resources indicated they would generate a report each pay period to track the cumulative number of hours that each retiree works and compare to established limits.

Because the CAAT continued to identify exceptions in the FY 02-03 data, the matter was discussed further with CEO/HR. CEO/HR informed us that it was their intent to implement the biweekly review in the new fiscal year

(03-04) rather than in May. Therefore, the process had not been implemented yet as of June 30, 2003. CEO/HR has forwarded the twelve retiree matches to OCERS for appropriate action. Additionally, CEO/HR will work with OCERS to identify a method to monitor hours for early retirees who have a 720 (rather than 960) hour cap.

4. CAAT Performed: **Direct Deposits.** We used a CAAT application to review for multiple employee paychecks that are directly deposited to the same bank account.

Results: This CAAT was applied in June 2003 with no irregular deposit activity identified.

5. CAAT Performed: **Deleted Vendors.** We used a CAAT to identify Vendors that have been deleted or removed from the Vendor Master List.

Results: This CAAT was applied in June and detected 4,149 of 79,309 vendors that had been removed from the Vendor Master.

The deletions resulted from a planned maintenance procedure to remove vendors who have not had activity during the past several years. A CAAT was then performed to determine if there had been any payment activity on the deleted vendors during the prior two and a half years. No exceptions were noted and the deleted vendors did not have recent payment activity.

Attachments – Provided to the Auditor-Controller or CEO/Human Resources only:

- A. Potential Duplicate Payments, dated 7/24/03 – A-C/Claims and Disbursing Section
- B. Extra Help Retirees Exceeding Thresholds, dated 8/14/03 – CEO/Human Resources